

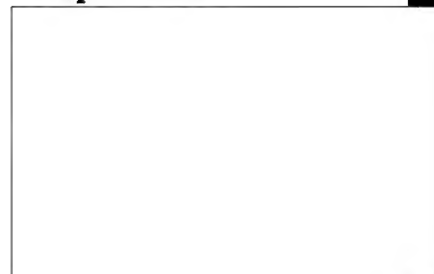


**Director of
Central
Intelligence**

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National Intelligence Daily

***Friday
16 July 1982***

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① IRAN-IRAQ: Iraqi Counterattack

(Information as of 2300 EDT)

11 *The Iraqis yesterday attacked Iranian forces holding the salient inside Iraq and drove them back almost to the border. Fierce fighting continues on the ground, and Iraqi planes bombed several more Iranian cities. Two Japanese tankers may have been strafed on Wednesday during Iraqi bombing attacks on Khark Island.*

9 [redacted] an Iraqi counterattack has forced the Iranians to give up about half the distance they had gained on Wednesday. A reinforced Iraqi armored division was advancing on the remainder of the Iranian salient. [redacted]

9 Iraq claims to have pushed the Iranians back across the border. Iranian forces farther north were continuing to attack Iraqi positions but had not broken through nor flanked the Iraqi defenses. [redacted]

9 Both sides have substantially reinforced their positions with additional armor and artillery. [redacted]

3 Iraqi aircraft bombed the Iranian towns of Shahabad-e Gharb and Dehloran and may have attacked Islamabad, inflicting heavy casualties. Iraq stated the airstrikes were in retaliation for Iranian shelling of the border town of Khanaqin. [redacted]

Two Japanese supertankers, loading crude oil at Iran's Khark Island, reportedly were strafed on Wednesday by Iraqi aircraft. Both escaped damage, but Japanese shipowners and union members have decided to stop sending Japanese ships to Khark Island until further notice. [redacted]

11 Comment: The original Iranian attacks on Tuesday and Wednesday may have been feints to draw off Iraqi reserves from more crucial areas of the front or to find weaknesses in Iraqi defenses. At least one Iranian division has yet to be committed to the fighting, and Iraqi forces are now thinly spread along the northwestern flank of their defenses and in the areas near the Shatt al Arab. [redacted]

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Despite the success of the Iraqi counterattack, the fighting is likely to last several weeks with Tehran launching additional--and probably larger--assaults. [redacted]

The Iraqis warned on Wednesday they intend to attack Khark Island until Iran halts its offensive. Iranian oil exports, currently over 2 million barrels per day, would drop appreciably if tankers refuse to load at Khark Island. Oil already in transit will, however, ensure Tehran revenues at current levels for at least 60 days. [redacted]

Iraqi Dissident Activity

Dissident Iraqi Shias have been more active over the last few weeks. [redacted]

Iran continues trying to organize a Shia leadership to replace the current Ba'thist regime should Saddam fall. Leaders would be drawn from among Iraqi Shia religious figures in exile in Tehran. [redacted]

There is no information on the likely response of the largely Shia enlisted ranks of the Army or the populations of Al Basrah and other predominantly Shia areas of southern Iraq, should the Iranians rout Iraqi forces or take Al Basrah. Morale is low in Al Basrah, and Iraqi officials reportedly are preventing citizens from leaving the area. [redacted]

Arab Reactions

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4 The Saudis rescheduled the proposed meeting on Wednesday between Defense Minister Sultan and the US Ambassador for yesterday and downgraded their representation. [redacted] the changes reflect Riyadh's uncertainty over how to reconcile widespread resentment toward the US over Israel's actions in Lebanon with the need for additional US support to counter the Iranian threat. [redacted]

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3 Leaders in the Persian Gulf region have yet to make
4 any public statements on the fighting. Bahrain has
requested briefings from the US Embassy on the war but
has deferred the visit of a US team to discuss military
cooperation until later this year. []

3 [] a number of
4 expatriates have begun to transfer deposits abroad.
There is no sign, however, that Kuwaiti nationals are
moving capital assets out of the country. []

3 There have been no reports of threats to US instal-
4 lations in the Persian Gulf area since the start of the
current fighting. Kuwait, however, has tightened security
around the US Embassy compound. []

[] Egyptian President Mubarak
is greatly concerned about the implications of the war for
the security of the Persian Gulf states. Mubarak believes
the Iranian invasion has reinforced the appearance in Arab
eyes that the US cannot influence events in the Middle
East. Mubarak also believes an Israeli move into West
Beirut, coupled with the Iranian invasion, could cause the
Persian Gulf states in general, and Kuwait in particular,
to cool relations with the US and seek an accommodation
with "radical" elements that they see as more determined
and forceful than the US. []

West European Attitudes

8 West European leaders doubt that anything can be done
to restrain Tehran, and the British are considering con-
tingency plans for ensuring security in the Persian Gulf.

7 British, French, and West German officials are
1/8 certain that Western or UN calls for a cease-fire will
6 be totally ignored by Tehran and are skeptical that efforts
by Islamic nations such as Turkey, Algeria, and Pakistan
urging restraint on Iran will have much impact. The
British have agreed, nonetheless, to cooperate in this
effort, while the West Germans have reserved their deci-
sion. []

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ISRAEL-LEBANON: Troop Rotations

(Information as of 2300 EDT)

The cease-fire in Beirut generally held yesterday. The Israelis and the Syrians continue to rotate their forces in Lebanon. The Israelis are keeping up their pressure on Lebanese Army forces.

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Syrians appear to have rotated two brigades of the 3rd Division out of the frontline in the Bekaa Valley, replacing them with a mechanized brigade from the 7th Division and the 47th Independent Armored Brigade.

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Comment: Israeli troop strength in Lebanon--estimated to be approximately 40,000--is unlikely to be reduced in the near term. The Syrians' 47th Armored Brigade lost nearly half of its tanks to Israeli air attacks on 9 and 10 June. The artillery regiment of the 3rd Division probably has been withdrawn to Syria.

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Israeli Action Against Lebanese Army

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Last Friday the Israelis forced Lebanese troops out of the Army garrison at Bayt ad Din in the Shuf region, about 20 kilometers southeast of Beirut. Troops under the command of Major Saad Haddad, one of Israel's main Christian allies in Lebanon, have taken over the barracks.

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On Tuesday, the Israelis delivered an ultimatum to the Lebanese Army unit in Rashayya to abandon its barracks or be disarmed and removed. The Israelis agreed to reconsider their demand after Lebanese Army headquarters raised the issue with the Israelis through established liaison channels.

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5 Israeli forces also have seized Lebanese Army equipment, including some provided by the US. Most of these items reportedly were taken from the Army barracks at Sidon, which the Israelis seized in the early days of the invasion. []

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5 Lebanese leftist leader Walid Junblat has protested the Israeli actions. He is especially angry over Haddad's move into the Shuf, the traditional home of the Lebanese Druze community. He considers this action another example of an Israeli-backed effort to expand Christian domination at the expense of other religious groups and as further evidence that the Lebanese Army is too weak to act as an instrument of central government authority. []

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5 Junblat accused President Sarkis of treason for his alleged support of what Junblat describes as Israeli efforts to partition Lebanon. He also said on Tuesday that he could no longer support US participation in a multinational force. []

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CENTRAL AMERICA: Increasing Nicaraguan Isolation

Nicaragua, concerned over growing intraregional hostility toward the Sandinistas, has condemned renewed attempts by the Central American Democratic Community to increase its membership.

The meeting of the Community in San Salvador last week was attended by the Foreign Ministers from the three founding members--El Salvador, Honduras and Costa Rica--as well as by the Guatemalan Foreign Minister, who indicated his country was prepared to join the organization. Salvadoran provisional President Magana subsequently went to Panama to explore the possibilities of Panamanian membership. The Foreign Ministers also discussed inviting some other countries to join soon.

The Community for the first time publicly reproached Nicaragua for its arms buildup and appealed to the Sandinistas to stop exporting their revolution. Managua has responded by charging that the organization is being directed by the US as part of its strategy to isolate the Sandinistas. During his recent trip to Western Europe, junta coordinator Daniel Ortega accused the US also of continued support for counterrevolutionaries based in Honduras.

Comment: Since it was founded in January, the Community has taken an increasingly tough political line with Managua. The possible addition of Guatemala, which apparently requires a commitment from President Rios Montt's government to hold elections within 30 months, would heighten the Sandinistas' anxiety over a cooperative effort to undermine their rule. Although Panama also is concerned over Nicaragua's aggressive policies, it remains sensitive to charges by the Sandinistas that the Community is controlled solely by the US.

Ortega's trip was designed partly to repair the political damage caused by the defection of revolutionary hero Eden Pastora. Ortega, who appears to have received a commitment of additional French financial aid, also hopes the Mitterrand government will revive a proposal made last year with Mexico for a negotiated solution to the conflict in El Salvador.

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① INTERNATIONAL: Meeting of Whaling Commission

1 *Japan, the USSR, Iceland, and Norway probably will block efforts by the US, Australia, the UK, and France to end commercial whaling at the International Whaling Commission meeting next week in the UK.* []

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1 Japan has launched a worldwide campaign to persuade Commission members that whales are a valuable resource to be used prudently and conserved scientifically. The antiwhaling group contends that the whales are being wiped out and that a complete cessation of commercial whaling is the only way to save them. Passage of such a ban would require the votes of three-fourths of the Commission's 35 members. []

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2 Comment: The antiwhaling forces probably will not be able to line up the votes for an immediate halt. Some members are responding to Japan's lobbying concerning the cultural and economic impact of such a decision on whaling nations. []

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3 Prime Minister Suzuki has pledged that the Japanese Government will do all it can to protect and foster the Japanese whaling industry, and Japan would almost certainly defy a moratorium and might even leave the Commission. Tokyo recognizes that failure to comply with the ruling could result in loss of fishing rights in the US 200-mile coastal fishing zone, Japan's most important overseas fishing ground. Japan apparently is willing to risk a severe deterioration in US-Japanese relations over the whaling issue. []

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1/4 The USSR is rumored to be on the verge of retiring its commercial whaling fleet, but it will support Japan. Iceland and Norway favor lower catch limits based on scientific evidence and will fight hard to defeat a moratorium. []

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⑧ POLAND: Jaruzelski's Speech

Premier Jaruzelski, in his opening speech yesterday to the party Central Committee plenum, presented a grim assessment of current social and economic conditions but offered no prospects for early improvement. He called for greater discipline on the part of young people and told them they have to look to the party and Marxism-Leninism for guidance. Jaruzelski did not discuss possible relaxation of martial law. Jaruzelski will address the parliament on Wednesday about the government's plans for the rest of 1982. []

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1-3 Comment: Jaruzelski's platitudes will not inspire Poland's youth. The party leadership apparently is still deeply divided over what gestures, if any, should be made to ease martial law. The Premier probably hopes to get the opinions and support of Central Committee members before his speech next week. []

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⑨ HUNGARY: Impending Drop in Living Standards

Deputy Premier Marjai announced last week that living standards will suffer because of marketing difficulties, deteriorating financial conditions, financial problems of many of Hungary's trading partners, and poor management. []

[] living standards will be reduced to the level of 1973-74--20 percent below current levels. []

1-3 [] prices of some basic foodstuffs, including sugar, flour, and probably bread, will increase soon. Earlier this week, the regime devalued the forint by 5.5 percent to spur exports and reduce imports. []

Comment: Moves toward austerity will be well received by Western lenders and IMF officials, who have been urging such steps. The debate in the leadership over timing and the severity of austerity will continue, and fears of possible unrest may prevent drastic action. []

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VIETNAM - SOUTHEAST ASIA: Foreign Minister's Tour

Vietnamese Foreign Minister Thach leaves this weekend on visits to Singapore, Burma, Malaysia, and Thailand.

[redacted] Thach wants to assess reactions in ASEAN to Hanoi's announcement of plans to withdraw some Vietnamese troops from Kampuchea and to secure concessions in return for additional withdrawals. [redacted]

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Comment: Thach will receive no encouragement from his ASEAN hosts, who are planning to increase support to the Kampuchean resistance now that the anti-Vietnamese coalition government has been formed. Moreover, many ASEAN officials doubt the extent and seriousness of the proposed Vietnamese withdrawal, which would not affect Vietnam's military capabilities in Kampuchea. Only the Indonesian Foreign Minister has stated publicly that the withdrawal proposal might be an indication of a changing Vietnamese attitude, but his government refused to see Thach. [redacted]

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